Ubuntu Municipality

menswaardigheid • hoop • erfenis
ubuntu • ithemba • izithethe
humanity • hope • heritage

Ubuntu Local Municipality
Annual Financial Statements
for the year ended 30 June 2020

General Information

Legal form of entity	Local municipality as defined by the Municipal Structures Act (Act no.117 of 1998)
Nature of business and principal activities	Ubuntu Municipality is a local municipality performing the functions as set out in the Constitution (Act no. 105 of 1996)
Mayoral committee	
Mayor	JZ Lolwana
Councillors	PE Jantjies
	W Schutz
	B de Bruyn
	CJ Pieterse
	KJ Arens
	JH Vorster
Grading of local authority	Category B as defined by the Municipal Structures Act (Act number 117 of 1998)
Accounting Officer	Mr D Maposa (Acting since 25 May 2018)
Chief Finance Officer (CFO)	Mr RA Jacobs
Accounting Officer	
Registered office	78 Church Street Victoria West 7070
Business address	78 Church Street Victoria West 7070
Bankers	First National Bank
Auditors	The Auditor-General of South Africa
Enabling legislation	Municipal Finance Management Act (Act no. 56 of 2003) Division of Revenue Act The Income Tax Act (Act no. 58 of 1962) The Value-added Tax Act (Act no. 89 of 1991) Municipal Structures Act (Act no. 117 of 1998) Municipal Systems Act (Act no. 32 of 2000) Municipal Planning and Performance Management Regulations Housing Act (Act no. 107 of 1997) Skills Development Levies Act (Act no. 9 of 1999) Employment Equity Act (Act no. 55 of 1998) Unemployment Insurance Act (Act no. 30 of 1966) Basic Conditions of Employment Act (Act no. 75 of 1997) Supply Chain Management Regulations Act, 2005 Disaster Management Act of 2016 Spatial Planning and Land Use Management Act (Act no. 16 of 2013) Property Rates Act 6 of 2004

Index

The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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COID	Compensation for Occupational Injuries and Diseases
DoRA	Division of Revenue Act
DBSA	Development Bank of South Africa
EPWP	Expanded Public Works Programme
GRAP	Generally Recognised Accounting Practice
IDP	Integrated Development Plan
INEP	Integrated National Electrification Programme
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
MSA	Municipal Systems Act
PAYE	Pay As You Earn
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
NERSA	National Energy Regulator of South Africa
SALGA	South African Local Government Association
SARS	South African Revenue Service
COVID-19	Coronavirus disease

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board. As per Government Gazette no 43582 dated 5th August 2020, National Treasury has granted municipalities and municipal entities a two-month extension regarding the submission of Annual financial statements. The municipality has taken advantage of this exemption.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2021 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future. For detailed going concern assumptions refer to note 44.

The external auditors are responsible for independently auditing and reporting on the municipality's annual financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Corporative Governance determination in accordance with this Act.

The annual financial statements set out on pages 5 to 83, which have been prepared on the going concern basis, were approved by the accounting officer on October 31,2020 and were signed on its behalf by:

Mr D Maposa
Acting Municpal Manager

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2020.

1. Review of activities

Main business and operations

The municipality is engaged in providing municipal services and maintaining the best interests of the local community within the Ubuntu Municipal area and operates principally in South Africa.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net deficit of the municipality was R 7 716 711 (2019: deficit R 53 696 919).

2. Going concern

We draw attention to the fact that at 30 June 2020, the municipality had an accumulated surplus of R 484 895 308 and that the municipality's total assets exceed its total liabilities by R 484 895 308.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Furthermore management has reviewed the municipality's cash flow forecast for the year ended 30 June 2019 and, in the light of this review and the current financial position, management is satisfied that the municipality has, or has access to, adequate resources to continue it's operations existing for the foreseeable furture.

The municipality still has the ability to levy services, rates and taxes and will continue to receive funding from government as evident from the Equitable Share allocations as published in terms of the Division of Revenue Act (Act 1 of 2019).

For details of managements assumptions with respect to the applicability of the going concern assumption refer to note 44.

3. Subsequent events

The national state of disaster has been extended unit 15 September 2020. Other than the COVID-19 pandemic, the Municipality had no other significant events after the reporting date.

4. Accounting Officer's interest in contracts

No matters to report.

5. Accounting policies

The annual financial statements are prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP), including any directives and interpretations of such Standards issued by the Accounting Standards Board and in accordance with Section 122(3) of the Municipal Finance Management Act (Act No.56 of 2003).

6. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality	Changes
Mr D Maposa	South African	Acting since 25 May 2018

7. Auditors

The Auditor-General of South Africa will continue in office for the next financial period.

Ubuntu Local Municipality

(Registration number NC071)
Annual Financial Statements for the year ended 30 June 2020

Statement of Financial Position as at 30 June 2020

Figures in Rand	Note(s)	2020	2019 Restated*
Assets			
Current Assets			
Inventories	3	81 103	111 909
Other receivables from exchange transactions	4	938 372	1 950 214
Receivables from non-exchange transactions	5	20 594 312	13 898 555
VAT receivable	6	6 766 534	1 804 641
Receivables from exchange transactions	7	13 350 587	6 230 183
Cash and cash equivalents	8	4 743 826	1 859 695
		46 474 734	**25 855 197**
Non-Current Assets			
Investment property	9	47 390 836	47 044 843
Property, plant and equipment	10	537 635 034	545 761 169
Intangible assets	11	21 688	26 949
		585 047 558	**592 832 961**
Total Assets		**631 522 292**	**618 688 158**
Liabilities			
Current Liabilities			
Finance lease obligation	12	230 860	199 578
Payables from exchange transactions	13	105 331 896	72 182 065
Consumer deposits	15	199 521	191 514
Employee benefit obligation	16	433 000	795 000
Unspent conditional grants and receipts	17	5 320 281	3 001 758
Provisions	18	3 326 800	3 077 052
		114 842 358	**79 446 967**
Non-Current Liabilities			
Finance lease obligation	12	106 566	337 426
Payables from exchange transactions	14	-	8 776 496
Employee benefit obligation	16	4 384 000	4 604 000
Provisions	18	27 294 060	32 911 302
		31 784 626	**46 629 224**
Total Liabilities		**146 626 984**	**126 076 191**
Net Assets		**484 895 308**	**492 611 967**
Accumulated surplus		484 895 308	492 611 974

* See Note

Statement of Financial Performance

Figures in Rand	Note(s)	2020	2019 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	19	29 515 405	24 614 651
Rental of facilities and equipment	20	299 409	139 826
Interest received (trading)		8 463 467	9 053 016
Licences and permits		378 969	532 896
Other income		182 356	396 132
Interest received - investment	21	450 179	436 273
Total revenue from exchange transactions		**39 289 785**	**35 172 794**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	22	21 210 970	9 260 356
Transfer revenue			
Government grants & subsidies	23	56 619 477	48 904 773
Public contributions and donations	24	1 845 365	1 451 534
Fines, Penalties and Forfeits	25	9 884 262	11 532 912
Rehabilition of Landfill site change in estimate		9 859 442	-
Total revenue from non-exchange transactions		**99 419 516**	**71 149 575**
Total revenue	26	**138 709 301**	**106 322 369**
Expenditure			
Employee related costs	27	(36 798 051)	(34 431 329)
Remuneration of councillors	28	(2 998 066)	(2 766 042)
Rehabilition of Landfill site change in estimate		-	(23 123 230)
Depreciation and amortisation	29	(23 943 672)	(30 353 079)
Impairment loss / (Reversal of impairments)		(26 133 390)	(20 030 363)
Finance costs	30	(12 675 749)	(11 661 721)
Bulk purchases	31	(19 664 849)	(18 250 785)
General Expenses	32	(25 220 194)	(20 398 207)
Total expenditure		**(147 433 971)**	**(161 014 756)**
Operating deficit		**(8 724 670)**	**(54 692 387)**
Gain / (loss) on disposal of assets and liabilities		(250 581)	471 033
Fair value adjustments		388 327	651 296
Actuarial gains / (loss)	16	870 213	(126 861)
		1 007 959	**995 468**
Deficit for the year		**(7 716 711)**	**(53 696 919)**

* See Note

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	567 943 819	567 943 819
Adjustments		
Correction of errors	(21 634 926)	(21 634 926)
Balance at 01 July 2018 as restated*	**546 308 893**	**546 308 893**
Changes in net assets		
Surplus / (deficit) for the year	(53 696 919)	(53 696 919)
Total changes	(53 696 919)	(53 696 919)
Opening balance as previously reported	540 264 462	540 264 462
Adjustments		
Correction of errors	(47 652 443)	(47 652 443)
Restated* Balance at 01 July 2019 as restated*	**492 612 019**	**492 612 019**
Changes in net assets		
Surplus / (deficit) for the year	(7 716 711)	(7 716 711)
Total changes	(7 716 711)	(7 716 711)
Balance at 30 June 2020	**484 895 308**	**484 895 308**

Note(s)

* See Note

Cash Flow Statement

Figures in Rand	Note(s)	2020	2019 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		22 533 662	20 395 940
Grants		60 783 365	49 246 534
Interest income		8 913 646	9 489 289
		92 230 673	79 131 763
Payments			
Employee costs		(39 507 904)	(36 953 232)
Suppliers		(21 735 711)	(25 502 768)
Finance costs		(11 882 825)	(10 868 797)
		(73 126 440)	(73 324 797)
Net cash flows from operating activities	33	**19 104 233**	**5 806 966**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(6 263 489)	(8 785 254)
Purchase of other intangible assets	11	(3 300)	(6 099)
Net cash flows from investing activities		**(6 266 789)**	**(8 791 353)**
Cash flows from financing activities			
Finance lease payments		(199 578)	330 347
Net increase/(decrease) in cash and cash equivalents		**2 884 132**	**(2 654 040)**
Cash and cash equivalents at the beginning of the year		1 859 695	5 174 429
Cash and cash equivalents at the end of the year	8	**4 743 826**	**1 859 695**

* See Note

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	26 991 407	4 841 145	**31 832 552**	29 515 405	**(2 317 147)**	48
Rental of facilities and equipment	203 692	1 496 307	**1 699 999**	299 409	**(1 400 590)**	48
Interest received (trading)	3 170 477	2 011 529	**5 182 006**	8 463 467	**3 281 461**	48
Agency services	350 048	200 000	**550 048**	-	**(550 048)**	
Licences and permits	-	-	**-**	378 969	**378 969**	48
Other income	732 415	-	**732 415**	182 356	**(550 059)**	48
Interest received - investment	363 710	-	**363 710**	450 179	**86 469**	48
Total revenue from exchange transactions	**31 811 749**	**8 548 981**	**40 360 730**	**39 289 785**	**(1 070 945)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	9 636 103	11 564 000	**21 200 103**	21 210 970	**10 867**	48
Transfer revenue						
Government grants & subsidies	53 682 003	5 286 002	**58 968 005**	56 619 477	**(2 348 528)**	48
Public contributions and donations	-	-	**-**	1 845 365	**1 845 365**	48
Fines, Penalties and Forfeits	33 402 107	(15 000 000)	**18 402 107**	9 884 262	**(8 517 845)**	48
Rehabilitation of landfill site change in estimate	-	-	**-**	9 859 442	**9 859 442**	
Total revenue from non-exchange transactions	**96 720 213**	**1 850 002**	**98 570 215**	**99 419 516**	**849 301**	
Total revenue	**128 531 962**	**10 398 983**	**138 930 945**	**138 709 301**	**(221 644)**	
Expenditure						
Personnel	(43 831 345)	6 291 003	**(37 540 342)**	(36 798 051)	**742 291**	
Remuneration of councillors	(2 691 495)	189 108	**(2 502 387)**	(2 998 066)	**(495 679)**	
Depreciation and amortisation	-	-	**-**	(23 943 672)	**(23 943 672)**	48
Impairment loss/ Reversal of impairments	(28 710 825)	(2 892 502)	**(31 603 327)**	-	**31 603 327**	48
Finance costs	(5 801 799)	-	**(5 801 799)**	(12 675 749)	**(6 873 950)**	48
Debt Impairment	(35 096 848)	3 000 000	**(32 096 848)**	(26 133 390)	**5 963 458**	
Contracted services	(6 969 516)	-	**(6 969 516)**	(1 682 321)	**5 287 195**	48
Bulk purchases	(19 491 163)	-	**(19 491 163)**	(19 664 849)	**(173 686)**	48
General Expenses	(13 151 328)	4 146 760	**(9 004 568)**	(23 537 873)	**(14 533 305)**	48
Total expenditure	**(155 744 319)**	**10 734 369**	**(145 009 950)**	**(147 433 971)**	**(2 424 021)**	
Operating deficit	**(27 212 357)**	**21 133 352**	**(6 079 005)**	**(8 724 670)**	**(2 645 665)**	
Loss on disposal of assets and liabilities	-	-	**-**	(250 581)	**(250 581)**	48
Fair value adjustments	-	-	**-**	388 327	**388 327**	
Actuarial gains/losses	-	-	**-**	870 213	**870 213**	48

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	-	**-**	**-**	**1 007 959**	**1 007 959**	
Deficit before taxation	**(27 212 357)**	**21 133 352**	**(6 079 005)**	**(7 716 711)**	**(1 637 706)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(27 212 357)**	**21 133 352**	**(6 079 005)**	**(7 716 711)**	**(1 637 706)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	-	123 000	**123 000**	81 103	**(41 897)**	
Other receivables from exchange transactions	-	15 745 000	**15 745 000**	938 372	**(14 806 628)**	
Receivables from non-exchange transactions	-	-	**-**	20 594 312	**20 594 312**	
VAT receivable	-	-	**-**	6 766 534	**6 766 534**	
Consumer debtors	-	10 834 000	**10 834 000**	13 350 587	**2 516 587**	
Cash and cash equivalents	18 007 881	(16 201 881)	**1 806 000**	4 743 826	**2 937 826**	
	18 007 881	**10 500 119**	**28 508 000**	**46 474 734**	**17 966 734**	
Non-Current Assets						
Investment property	-	29 637 901	**29 637 901**	47 390 836	**17 752 935**	
Property, plant and equipment	15 175 000	601 539 000	**616 714 000**	537 635 034	**(79 078 966)**	
Intangible assets	-	27 000	**27 000**	21 688	**(5 312)**	
	15 175 000	**631 203 901**	**646 378 901**	**585 047 558**	**(61 331 343)**	
Total Assets	**33 182 881**	**641 704 020**	**674 886 901**	**631 522 292**	**(43 364 609)**	
Liabilities						
Current Liabilities						
Finance lease obligation	-	-	**-**	230 860	**230 860**	
Payables from exchange transactions	(1 530 000)	81 865 000	**80 335 000**	105 331 899	**24 996 899**	
Consumer deposits	-	-	**-**	199 521	**199 521**	
Employee benefit obligation	-	-	**-**	433 000	**433 000**	
Unspent conditional grants and receipts	-	-	**-**	5 320 281	**5 320 281**	
Provisions	-	3 077 000	**3 077 000**	3 326 800	**249 800**	
	(1 530 000)	**84 942 000**	**83 412 000**	**114 842 361**	**31 430 361**	
Non-Current Liabilities						
Finance lease obligation	1 619 000	5 614 000	**7 233 000**	106 566	**(7 126 434)**	
Employee benefit obligation	-	-	**-**	4 384 000	**4 384 000**	
Provisions	7 228 000	3 586 000	**10 814 000**	27 294 060	**16 480 060**	
	8 847 000	**9 200 000**	**18 047 000**	**31 784 626**	**13 737 626**	
Total Liabilities	**7 317 000**	**94 142 000**	**101 459 000**	**146 626 987**	**45 167 987**	
Net Assets	**25 865 881**	**547 562 020**	**573 427 901**	**484 895 305**	**(88 532 596)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	25 865 881	547 562 020	**573 427 901**	484 895 305	**(88 532 596)**	

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2020											
Financial Performance											
Property rates	9 636 103	11 564 000	21 200 103	-		21 200 103	21 210 970		10 867	100 %	220 %
Service charges	26 991 407	4 841 145	31 832 552	-		31 832 552	29 515 405		(2 317 147)	93 %	109 %
Investment revenue	363 710	-	363 710	-		363 710	450 179		86 469	124 %	124 %
Transfers recognised - operational	38 707 002	86 002	38 793 004	-		38 793 004	38 751 797		(41 207)	100 %	100 %
Other own revenue	37 858 739	(11 292 164)	26 566 575	-		26 566 575	30 326 445		3 759 870	114 %	80 %
Total revenue (excluding capital transfers and contributions)	**113 556 961**	**5 198 983**	**118 755 944**	**-**		**118 755 944**	**120 254 796**		**1 498 852**	**101 %**	**106 %**
Employee costs	(43 831 345)	6 291 003	(37 540 342)	-	-	(37 540 342)	(36 798 051)	-	742 291	98 %	84 %
Remuneration of councillors	(2 691 495)	189 108	(2 502 387)	-	-	(2 502 387)	(2 998 066)	-	(495 679)	120 %	111 %
Debt impairment	(35 096 848)	3 000 000	(32 096 848)			(32 096 848)	(26 133 390)	-	5 963 458	81 %	74 %
Depreciation and asset impairment	(28 710 825)	(2 892 502)	(31 603 327)			(31 603 327)	(23 943 672)	-	7 659 655	76 %	83 %
Finance charges	(5 801 799)	-	(5 801 799)	-	-	(5 801 799)	(12 675 749)	-	(6 873 950)	218 %	218 %
Materials and bulk purchases	(19 491 163)	-	(19 491 163)	-	-	(19 491 163)	(19 664 849)	-	(173 686)	101 %	101 %
Other expenditure	(20 120 844)	4 146 790	(15 974 054)	-	-	(15 974 054)	(25 470 775)	-	(9 496 721)	159 %	127 %
Total expenditure	**(155 744 319)**	**10 734 399**	**(145 009 920)**	**-**	**-**	**(145 009 920)**	**(147 684 552)**	**-**	**(2 674 632)**	**102 %**	**95 %**
Surplus/(Deficit)	**(42 187 358)**	**15 933 382**	**(26 253 976)**	**-**		**(26 253 976)**	**(27 429 756)**		**(1 175 780)**	**104 %**	**65 %**

Appropriation Statement

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	14 975 001	5 200 000	20 175 001	-		20 175 001	17 867 680		(2 307 321)	89 %	119 %
Contributions recognised - capital and contributed assets	-	-	-	-		-	1 845 365		1 845 365	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	**(27 212 357)**	**21 133 382**	**(6 078 975)**	**-**		**(6 078 975)**	**(7 716 711)**		**(1 637 736)**	**127 %**	**28 %**
Surplus/(Deficit) for the year	**(27 212 357)**	**21 133 382**	**(6 078 975)**	**-**		**(6 078 975)**	**(7 716 711)**		**(1 637 736)**	**127 %**	**28 %**

Capital expenditure and funds sources

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand. All figures have been rounded off to the nearest Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

In assessing whether the going concern assumption is appropriate under the current economic climate resulting from the COVID-19 pandemic, management considered a wide range of factors including the current and expected performance of the municipality, any announced and potential restructuring of organisational units, the likelihood of continued government funding and if necessary potential sources of replacement funding.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

The municipality strives toward ethical reporting thus transparent insights into the applied judgement and financial uncertainties, which the municipality faces as a result of the COVID-19 pandemic have been included in the accounting policies and/or notes to the financial statements.

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

The carrying amount of available-for-sale financial assets would be an estimated R - lower or R - higher were the discounted rate used in the discount cash flow analysis to differ by 10% from management’s estimates.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 18 - Provisions.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 16.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Useful lives and residual values

The entity's management determines the estimated useful lives, residual values and related depreciation charges for assets as noted in accounting policy 1.5 Property Plant and equipment. These estimates are based on industry norms.

Management will increase the depreciation charge prospectively where useful lives are less than previously estimated useful lives. Management will decrease the depreciation charge prospectively where useful lives are more than previously estimated useful lives.

Where changes are made to the estimated residual values, management also makes these changes prospectively.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Property with a currently undetermined use is also classified as investment property.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs is the amount of cash or cash equivalent or the fair value of the consideration given to acquire an asset at the time of its acquisition or construction.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Accounting Policies

1.4 Investment property (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 9).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note 9).

Derecognition

Items of investment property are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use or disposal of asset.

The gain or loss arising from the derecognition of an item of investment property is included in surplus or deficit when the item is derecognised.

The gain or loss arising from the derecognition of an item of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset.

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others (other than Investment Property), or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

1.5 Property, plant and equipment (continued)

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property plant and equipment are accounted for as property plant and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Subsequent measurement:

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Revaluations are made with sufficient regularity, by registered valuators for every class separately, such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

Any increase in an asset’s carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset’s carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus included in the net assets related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus included in the net assets related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Depreciation and impairment:

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Land, except for landfill and quarry sites, is not depreciated as it has an indefinite useful life.

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Accounting Policies

1.5 Property, plant and equipment (continued)

Each part of an item of property plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. Components of asset that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

Subsequent to initial recognition, property plant and equipment on the cost model, is carried at cost less accumulated €depreciation and any accumulated impairment losses. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Community facilities	Straight line	5 - 100 years
Sport and recreation facilities	Straight line	5 - 100 years
Electricity Network	Straight line	10 - 60 years
Water supply network	Straight line	10 - 100 years
Roads and stormwater network	Straight line	5 - 100 years
Sanitation network	Straight line	5 - 100 years
Community facilities	Straight line	5 - 100 years
Housing	Straight line	7 - 100 years
Operational buildings	Straight line	5 - 100 years
Computer equipment	Straight line	5 years
Electrical equipment	Straight line	5 years
Furniture and fittings	Straight line	7 years
Leased assets - office equipment	Straight line	5 years
Mechanical equipment	Straight line	5 years
Office machines	Straight line	5 years
Vehicles	Straight line	6 - 10 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Derecognition:

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Property plant and equipment which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

Commitments:

Where the municipality has a contractual commitment in respect of the acquisition of property, plant and equipment, these are disclosed in note 34. The commitments as disclosed are the contractual amount less aby payment made in respect of the contract.

Accounting Policies

1.6 Intangible assets

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result, the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation begins when intangible assets are in the location and condition necessary for it to be capable of operating in the manner intended by management and ceases at the earlier of the date that asset is classified as held for sale (or included a disposal group that is classified as held for sale) in accordance with the standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations and the date that the asset is derecognised.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Servitudes	Straight line	Infinite
Computer software	Straight line	4 years

Derecognition:

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

Accounting Policies

1.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

1.7 Financial instruments (continued)

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity’s net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Accounting Policies

1.7 Financial instruments (continued)

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Consumer debtors	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Other financial liabilities	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Bank overdraft	Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Accounting Policies

1.7 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Impairment and uncollectibility of financial assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

Accounting Policies

1.7 Financial instruments (continued)

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

Accounting Policies

1.7 Financial instruments (continued)

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

These are initially and subsequently recorded at amortised cost. Fair value approximates the carrying amount. However, where the asset is not readily convertible into cash amounts for a period exceeding three months these are treated as investments.

1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality’s net investment in the finance lease.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

1.8 Leases (continued)

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.9 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.10 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset’s future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties, less the costs of disposal.

Accounting Policies

1.10 Impairment of cash-generating assets (continued)

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

1.11 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:
- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:
- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

1.11 Employee benefits (continued)

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Accounting Policies

1.11 Employee benefits (continued)

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity’s informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity’s informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:
- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

1.11 Employee benefits (continued)

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Accounting Policies

1.11 Employee benefits (continued)

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:
- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes post employment medical aid as a minimum
- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

Provision for Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end, capped at a maximum of 48 days, and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods, if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

Staff Bonuses Accrued

Liabilities for staff bonuses are recognised as they are accrued to employees. The liability at year-end is based on bonus accrued at year-end for each employee.

Accounting Policies

1.12 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Accounting Policies

1.12 Provisions and contingencies (continued)

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measures with sufficient reliability.

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable

Management judgement is required when recognising and measuring contingent liabilities.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 35.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Accounting Policies

1.12 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.10 and 1.5.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.13 Commitments

Items are classified as commitments when the municipality has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.14 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Accounting Policies

1.14 Revenue from exchange transactions (continued)

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality’s right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

Accounting Policies

1.14 Revenue from exchange transactions (continued)

Pre-paid electricity

Prepaid electricity revenue is recognised at the point of sale. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates. Pre-paid electricity sales are reconciled on a monthly basis and the sum of the monthly sales provides the total sales for the year. The financial year is divided in two seasons based on the application of tariffs with the seasons being summer (1 September – 31 May) and winter (1 June to 31 August). The deferred portion of revenue is accounted for by an adjustment for units not consumed at year end. This adjustment is based on the average consumption history, multiplied by the weighted average cost of units sold in June. Average consumption in units is determined per active prepaid meter using a trend analysis of historical consumer purchase data per meter for the months of May, June and July. The deferred portion of revenue is the amount by which the actual prepaid electricity sold for the month of June exceeds the average consumption calculated.

1.15 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

1.15 Revenue from non-exchange transactions (continued)

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Accounting Policies

1.15 Revenue from non-exchange transactions (continued)

Services in-kind

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

1.16 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.17 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.18 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.19 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.20 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised. This consists currently mostly of interest and penalties on late payments made.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Irregular expenditure

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Accounting Policies

1.21 Irregular expenditure (continued)

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.22 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.23 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.24 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statement. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

1.25 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01/07/2019 to 30/06/2020.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.26 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

1.26 Related parties (continued)

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

1.27 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

Within the municipal space the effects of the COVID-19 outbreak are likely to be a current-period events, which will require ongoing evaluation to determine the extent to which developments, after the reporting date should be recognised in the reporting period.

1.28 Value Added Tax (VAT)

The municipality accounts for VAT on the cash basis. The municipality is liable to account for VAT at the standard rate 15% from 1 April 2018 (2017:14%) in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes.

The Municipality accounts for VAT on a bi-monthly basis.

1.29 Accumulated surplus

The municipality's surplus or deficit for the year is accounted for in the accumulated surplus in the statement of changes in net assets.

The accumulated surplus/deficit represents the net difference between total assets and total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited/debited against accumulated surplus/deficit. Prior year adjustments relating to income and expenditure are debited/credited against accumulated surplus when retrospective adjustments are made.

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Directive 13: Transitional Provisions for the Adoption of Standards of GRAP by Community Education and Training (CET) Colleges	01 April 2019	The impact of the is not material.
• Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme	01 April 2019	The impact of the is not material.
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2019	The impact of the is not material.
• GRAP 7 (as revised 2010): Investments in Associates	01 April 2019	The impact of the is not material.
• GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2019	The impact of the is not material.
• Directive 7 (revised): The Application of Deemed Cost	01 April 2019	The impact of the is not material.
• GRAP 18 (as amended 2016): Segment Reporting	01 April 2019	The impact of the is not material.
• GRAP 20: Related parties	01 April 2019	The impact of the is not material.
• GRAP 32: Service Concession Arrangements: Grantor	01 April 2019	The impact of the is not material.
• GRAP 105: Transfers of functions between entities under common control	01 April 2019	The impact of the is not material.
• GRAP 106 (as amended 2016): Transfers of functions between entities not under common control	01 April 2019	The impact of the is not material.
• GRAP 107: Mergers	01 April 2019	The impact of the is not material.
• GRAP 108: Statutory Receivables	01 April 2019	The impact of the is not material.
• GRAP 109: Accounting by Principals and Agents	01 April 2019	The impact of the is not material.
• IGRAP 11: Consolidation – Special purpose entities	01 April 2019	The impact of the is not material.
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2019	The impact of the is not material.
• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2019	The impact of the is not material.
• IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land	01 April 2019	The impact of the is not material.
• IGRAP 19: Liabilities to Pay Levies	01 April 2019	The impact of the is not material.

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality’s accounting periods beginning on or after 01 July 2020 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 104 (amended): Financial Instruments	01 April 2020	Unlikely there will be a material impact

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

• Guideline: Guideline on Accounting for Landfill Sites	01 April 2020	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 34: Separate Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 35: Consolidated Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 36: Investments in Associates and Joint Ventures	01 April 2020	Unlikely there will be a material impact
• GRAP 37: Joint Arrangements	01 April 2020	Unlikely there will be a material impact
• GRAP 38: Disclosure of Interests in Other Entities	01 April 2020	Unlikely there will be a material impact
• GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2020	Unlikely there will be a material impact
• IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue	01 April 2020	Unlikely there will be a material impact

3. Inventories

Water	81 103	111 909

Inventory pledged as security

There are no inventories pledged as security.

4. Other receivables from exchange transactions

Medical aid contributions recoverable	300 175	69 408
Payroll receivables	-	1 252 146
Eskom connection deposit	600 000	600 000
Cash in transit	38 197	28 660
	938 372	**1 950 214**

Other receivables from exchange transactions pledged as security

None of the other receivables from exchange transactions were pledged as security for any financial liability at year-end.

Credit quality of other receivables from exchange transactions

The credit quality of other receivables from exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Other receivables from exchange transactions past due but not impaired

Other receivables from exchange transactions which are less than 3 months past due are not considered to be impaired. At June 2020, R 938 372 (2019: R 1 950 214) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

3 months past due	938 372	1 950 214

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

4. Other receivables from exchange transactions (continued)

Trade and other receivables impaired

As of 30 June 2020, trade and other receivables of R 1 252 146 (2019: R -) were impaired and provided for.

The amount of the provision was R 1 252 146 as of 30 June 2020 (2019: R -).

The ageing of these loans is as follows:

	2020	2019
90 days +	1 252 146	-

Reconciliation of provision for impairment of trade and other receivables

	2020	2019
Provision for impairment	1 252 146	-

5. Receivables from non-exchange transactions

	2020	2019
Traffic fines	11 365 513	10 834 348
Deposits paid	71 798	26 353
Property rates	9 157 001	3 037 854
	20 594 312	**13 898 555**

Receivables from non-exchange transactions pledged as security

None of the receivables from non-exchange transactions were pledged as security for any financial liability at year-end. The credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation.

Traffic fines: Ageing		
Current (0 - 30 days)	-	1 399 200
31 - 60 days	-	955 600
61 - 90 days	-	680 000
91 days +	78 810 592	66 991 020
Less: Impairment	(67 445 079)	(59 192 272)
Subtotal	11 365 513	10 833 548
	11 365 513	**10 833 548**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

5. Receivables from non-exchange transactions (continued)

Property rates: Ageing

Current (0 - 30 days)	1 865 386	1 276 347
31 - 60 days	1 686 862	432 402
61 - 90 days	1 644 460	399 144
91 days +	25 981 472	19 109 935
Less: Impairment	(22 021 179)	(18 179 974)
	9 157 001	**3 037 854**

Property rates by classification: consumers

Current (0 - 30 days)	392 572	505 747
31 - 60 days	324 935	296 689
61 - 90 days	314 799	284 669
91 days +	11 983 847	11 929 635
Less: Impairment	(12 251 956)	(12 838 632)
	764 197	**178 108**

Property rates by classification: Industrial / commercial

Current (0 - 30 days)	552 698	232 846
31 - 60 days	475 166	127 032
61 - 90 days	452 731	105 817
91 days +	8 821 969	6 403 123
Less: Impairment	(9 769 222)	(5 341 342)
	533 342	**1 527 476**

Property rates by classification: National and Provincial

Current (0 - 30 days)	920 116	537 754
31 - 60 days	886 761	8 680
61 - 90 days	876 930	8 658
91 days +	5 175 657	777 178
	7 859 464	**1 332 270**

Total

Current (0 - 30 days)	1 865 386	1 276 347
31 - 60 days	1 686 862	432 402
61 - 90 days	1 644 460	399 144
91 days +	25 981 472	19 109 935
Less: Impairment	(22 021 179)	(18 179 974)
	9 157 001	**3 037 854**

Credit quality of receivables from non-exchange transactions

The credit quality of other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Figures in Rand	2020	2019

5. Receivables from non-exchange transactions (continued)

Receivables from non-exchange transactions past due but not impaired

Receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2020, R 20 524 190 (2019: R 13 872 202) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

Property rates: Current (0 - 30 days)	1 156 644	896 720
Property rates: 31 - 60 days	982 020	65 891
Property rates: 61 - 90 days	946 264	36 488
Property rates: 91 days +	6 072 071	2 038 755
Traffic fines: Current (0 - 30 days)	-	10 601
Traffic fines: 31 - 60 days	-	7 240
Traffic fines: 61 - 90 days	-	7 242
Traffic fines: 91 days +	11 365 513	10 809 265

Receivables from non-exchange transactions impaired

As of 30 June 2019, receivables from non-exchange transactions of R 89 466 258 (2019: R 77 372 246) were impaired and provided for.

The ageing of these loans is as follows:

Property rates: Current (0 - 30 days)	708 742	379 628
Property rates: 31 - 60 days	704 841	366 510
Property rates: 61 - 90 days	698 196	362 656
Property rates: 91 days +	19 909 400	17 071 180
Traffic fines: Current (0 - 30 days)	-	1 388 598
Traffic fines: 31 - 60 days	-	948 360
Traffic fines: 61 - 90 days	-	673 558
Traffic fines: 91 days +	67 445 080	56 181 756

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	(77 372 246)	(164 212 340)
Provision for impairment	(12 094 012)	(7 559 926)
Amounts written off as uncollectible	-	94 400 020
	(89 466 258)	**(77 372 246)**

6. VAT receivable

VAT	6 766 534	1 804 641

7. Receivable from exchange transactions

Gross balances		
Electricity	9 426 816	7 557 484
Water	34 971 596	37 487 574
Sewerage	14 960 909	16 208 225
Refuse	17 081 024	18 466 965
Housing and other sundry	1 508 122	1 426 013
	77 948 467	**81 146 261**

Figures in Rand	2020	2019

7. Receivable from exchange transactions (continued)

Less: Allowance for impairment		
Electricity	(5 481 228)	(4 798 048)
Water	(28 618 847)	(35 021 089)
Sewerage	(13 258 306)	(15 614 018)
Refuse	(15 892 750)	(18 100 246)
Housing and other sundry	(1 346 749)	(1 382 677)
	(64 597 880)	**(74 916 078)**

Net balance		
Electricity	3 945 588	2 759 436
Water	6 352 749	2 466 485
Sewerage	1 702 603	594 207
Refuse	1 188 274	366 719
Housing and other sundry	161 373	43 336
	13 350 587	**6 230 183**

Electricity		
Current (0 -30 days)	1 226 031	1 231 837
31 - 60 days	321 990	481 761
61 - 90 days	338 592	348 398
91 - 120 days	514 956	265 614
121 days +	7 025 247	5 229 874
Less: Allowance for impairment	(5 481 228)	(4 798 048)
	3 945 588	**2 759 436**

Water		
Current (0 -30 days)	3 412 587	2 305 492
31 - 60 days	1 124 435	955 869
61 - 90 days	860 894	949 225
91 - 120 days	878 522	822 112
121 days +	28 695 158	32 454 876
Less: Allowance for impairment	(28 618 847)	(35 021 089)
	6 352 749	**2 466 485**

Sewerage		
Current (0 -30 days)	461 093	527 852
31 - 60 days	411 749	525 063
61 - 90 days	391 955	485 436
91 - 120 days	400 701	470 611
121 days +	13 295 410	14 199 263
Less: Allowance for impairment	(13 258 305)	(15 614 018)
	1 702 603	**594 207**

Refuse		
Current (0 -30 days)	516 731	554 372
31 - 60 days	452 012	561 626
61 - 90 days	439 568	528 994
91 - 120 days	432 733	511 087
121 days +	15 239 979	16 310 886
Less: Allowance for impairment	(15 892 749)	(18 100 246)
	1 188 274	**366 719**

Figures in Rand	2020	2019

7. Receivable from exchange transactions (continued)

	2020	2019
Housing rental		
Current (0 -30 days)	21 685	22 111
31 - 60 days	19 041	18 846
61 - 90 days	11 750	13 985
91 - 120 days	11 517	12 070
121 days +	1 444 129	1 359 001
Less: Allowance for impairment	(1 346 749)	(1 382 677)
	161 373	**43 336**

Summary of debtors by customer classification

	2020	2019
Consumers		
Current (0 -30 days)	4 700 630	2 731 180
31 - 60 days	1 908 977	2 161 851
61 - 90 days	1 645 219	2 031 924
91 - 120 days	1 634 482	1 831 828
121 days +	57 830 191	64 882 239
	67 719 499	73 639 022
Less: Allowance for impairment	(60 433 100)	(73 012 742)
	7 286 399	**626 280**
Industrial/ commercial		
Current (0 -30 days)	439 337	1 589 222
31 - 60 days	273 873	217 514
61 - 90 days	246 708	157 775
91 - 120 days	455 905	152 564
121 days +	3 661 734	2 605 381
	5 077 557	4 722 456
Less: Allowance for impairment	(4 164 779)	(1 903 336)
	912 778	**2 819 120**
National and provincial government		
Current (0 -30 days)	492 867	321 262
31 - 60 days	146 377	163 800
61 - 90 days	150 832	136 372
91 - 120 days	148 043	97 103
121 days +	4 213 291	2 066 246
	5 151 410	**2 784 783**
Total		
Current (0 -30 days)	5 638 128	4 641 664
31 - 60 days	2 329 227	2 543 165
61 - 90 days	2 042 759	2 326 071
91 - 120 days	2 238 429	2 081 495
121 days +	65 699 924	69 553 866
	77 948 467	81 146 261
Less: Allowance for impairment	(64 597 880)	(74 916 078)
	13 350 587	**6 230 183**
Less: Allowance for impairment		
> 365 days	(64 597 880)	(74 916 078)

Figures in Rand	2020	2019

7. Receivable from exchange transactions (continued)

Reconciliation of allowance for impairment		
Balance at beginning of the year	(74 916 078)	(62 551 650)
Contributions to allowance	10 318 198	(12 364 428)
	(64 597 880)	**(74 916 078)**

Consumer debtors pledged as security

None of the receivables from exchange transactions were pledged as security for any financial liability at year-end.

Credit quality of consumer debtors

The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Consumer debtors past due but not impaired

Consumer debtors which are less than 3 months past due are not considered to be impaired. At 30 June 2020, R 13 350 587- (2019: R 6 230 183) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

0 - 121 days +	13 350 587	6 230 183

Consumer debtors impaired

As of 30 June 2020, receivables from exchange transaction R 74 916 078 (2019: R 74 916 078) were impaired and provided for.

The ageing of these loans is as follows:

0 - 121 days +	64 597 880	74 916 078

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	449	449
Bank balances	307 697	272 291
Short-term deposits	4 435 680	1 586 955
	4 743 826	**1 859 695**

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

Credit rating		
F3	4 678 778	1 777 899
F1+	102 796	81 347
	4 781 574	**1 859 246**

Cash and cash equivalents pledged as collateral

Terms and conditions

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

8. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2020	30 June 2019	30 June 2018	30 June 2020	30 June 2019	30 June 2018
First National Bank - Current account (Acc no: 54062338032)	166 702	190 944	142 922	197 974	190 944	142 922
Standard Bank - Current account (Acc no: 187389179)	100 337	78 546	116 254	107 263	78 546	116 254
Standard Bank - Current account (Acc no: 083192662)	2 459	2 801	33 782	2 459	2 801	33 782
First National Bank - Money market (MSIG)(Acc no: 62089843744)	55 993	217 393	273	55 993	217 393	273
First National Bank - Call account (Acc no: 62247301708)	11 203	845	183 323	11 203	845	183 323
First National Bank - Call account (Acc no: 62046110920)	705	5	110 414	705	5	110 414
First National Bank - Call account (FMG) (Acc no: 62056987088)	56 803	-	-	56 803	-	-
First National Bank - Call account (Acc no: 62050017021)	526	774	4	526	774	4
First National Bank - Fixed deposit account (Acc no: 71267618613)	141 385	131 496	123 009	141 385	131 496	123 009
First National Bank - Call account (MIG) (Acc no: 62209229831)	2 345 455	625 341	1 250 038	2 345 455	625 341	1 250 038
First National Bank - Call account (Acc no: 62242043892)	32 295	5 505	1	32 295	5 505	1
First National Bank - Call account (62086477760)	7 735	63	-	7 735	63	-
First National Bank - Call account (WSIG)(Acc no: 62735797667)	112 646	4 050	3 213 960	112 646	4 050	3 213 960
First National Bank - Call account (Acc no: 62735798988)	1 680 595	601 175	-	1 680 595	601 175	-
First National Bank - Call account (Acc no: 62735796924)	28 529	308	-	28 529	308	-
Total	**4 743 368**	**1 859 246**	**5 173 980**	**4 781 566**	**1 859 246**	**5 173 980**

9. Investment property

	2020			2019		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property (land)	47 390 836	-	47 390 836	47 044 843	-	47 044 843

9. Investment property (continued)

Reconciliation of investment property - 2020

	Opening balance	Transfers	Fair value adjustments	Total
Investment property (land)	47 044 843	(42 333)	388 326	47 390 836

Reconciliation of investment property - 2019

	Opening balance	Fair value adjustments	Total
Investment property (land)	46 395 105	649 738	47 044 843

Pledged as security

Carrying value of assets pledged as security:

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal are as follows:

Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows:

In the exceptional cases when the municipality has to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the fair value measurement, disclose the following:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:
  - the fact that the entity has disposed of investment property not carried at fair value,
  - the carrying amount of that investment property at the time of sale, and
  - the amount of gain or loss recognised.

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment

	2020			2019		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	115 120 774	-	115 120 774	115 120 774	-	115 120 774
Buildings	54 037 388	(42 679 386)	11 358 002	54 108 624	(40 684 237)	13 424 387
Infrastructure assets	752 812 799	(370 584 751)	382 228 048	822 290 751	(438 604 721)	383 686 030
Community assets	125 376 548	(99 223 455)	26 153 093	206 010 062	(176 113 766)	29 896 296
Other property, plant and equipment	7 981 506	(5 891 543)	2 089 963	8 426 160	(5 908 807)	2 517 353
Finance leased assets	1 293 524	(608 370)	685 154	1 765 774	(649 445)	1 116 329
Total	**1 056 622 539**	**(518 987 505)**	**537 635 034**	**1 207 722 145**	**(661 960 976)**	**545 761 169**

Reconciliation of property, plant and equipment - 2020

	Opening balance	**Additions**	**Disposals**	**Transfers from WIP**	**Completed Projects**	**Depreciation**	**Impairment loss**	**Total**
Land	115 120 774	-	-	-	-	-	-	115 120 774
Buildings	13 424 387	-	(83 699)	-	-	(1 522 692)	(459 994)	11 358 002
Infrastructure assets	383 686 030	15 925 833	(130 592)	(7 058 079)	7 058 079	(16 564 431)	(688 792)	382 228 048
Community assets	29 896 296	-	(18 439)	-	-	(3 611 697)	(113 067)	26 153 093
Other property, plant and equipment	2 517 353	91 279	(17 422)	-	-	(483 854)	(17 393)	2 089 963
Finance leased assets	1 116 329	-	-	-	-	(431 175)	-	685 154
	545 761 169	**16 017 112**	**(250 152)**	**(7 058 079)**	**7 058 079**	**(22 613 849)**	**(1 279 246)**	**537 635 034**

Notes to the Annual Financial Statements

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Transfers	Transfers from WIP	Completed Projects	Depreciation	Impairment loss	Total
Land	115 120 774	-	-	-	-	-	-	-	115 120 774
Buildings	14 522 187	-	(169)	34 239	-	-	(1 131 870)	-	13 424 387
Infrastructure assets	396 439 009	8 043 374	(60 408)	-	(7 785 056)	7 750 818	(20 698 879)	(2 828)	383 686 030
Community asssets	34 153 179	-	-	-	-	-	(4 256 883)	-	29 896 296
Other property, plant and equipment	2 393 628	794 935	(135 038)	-	-	-	(530 999)	(5 173)	2 517 353
Finance leased assets	1 298 481	1 293 524	(1 067 334)	-	-	-	(408 342)	-	1 116 329
	563 927 258	**10 131 833**	**(1 262 949)**	**34 239**	**(7 785 056)**	**7 750 818**	**(27 026 973)**	**(8 001)**	**545 761 169**

Assets subject to finance lease (Net carrying amount)

Office equipment	685 154	1 116 329

Reconciliation of Work-in-Progress 2020

	Included within Infrastructure	Total
Opening balance	2 956 521	2 956 521
Additions/capital expenditure	15 537 113	15 537 113
Transferred to completed items	(7 058 079)	(7 058 079)
	11 435 555	**11 435 555**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

10. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2019

	Included within Infrastructure	Total
Opening balance	2 698 204	2 698 204
Additions/capital expenditure	8 043 374	8 043 374
Transferred to completed items	(7 785 057)	(7 785 057)
	2 956 521	**2 956 521**

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Office equipment	43 043	80 762
Motor vehicles	377 639	240 202
Infrastructure	1 261 639	681 869
	1 682 321	**1 002 833**

Deemed cost

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

11. Intangible assets

	2020			2019		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software and licenses	91 812	(70 124)	21 688	92 178	(65 229)	26 949

Reconciliation of intangible assets - 2020

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software and licenses	26 949	3 300	(430)	(8 131)	21 688

Reconciliation of intangible assets - 2019

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software and licenses	32 661	6 099	(821)	(10 990)	26 949

Pledged as security

There are no intangible assets pledged as security.

Deemed cost

Deemed cost was determined using the depreciated replacement cost.

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

12. Finance lease obligation

Minimum lease payments due		
- within one year	265 200	265 200
- in second to fifth year inclusive	110 500	375 700
	375 700	640 900
less: future finance charges	(38 275)	(103 896)
Present value of minimum lease payments	**337 425**	**537 004**

Present value of minimum lease payments due		
- within one year	230 860	199 578
- in second to fifth year inclusive	106 565	337 426
	337 425	**537 004**

Non-current liabilities	(106 566)	(337 426)
Current liabilities	(230 860)	(199 578)
	(337 426)	**(537 004)**

Refer to appendix "A" for descriptions, maturity dates and effective interest of structured loans and finance.

Leases are secured by property, plant and equipment - Note 10.

The average lease term is 5 years and the average effective borrowing rate was 15% (2019: 15%).

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

13. Payables from exchange transactions

Trade payables	87 184 368	59 552 249
Payments received in advance (debtors with credit balances)	2 492 887	2 064 838
Uncleared deposits	3 889 961	3 885 221
Payroll creditors	9 803 381	5 954 295
Deferred revenue	49 187	122 384
Other payables	2 898	2 898
Retension creditor	1 909 214	600 180
	105 331 896	**72 182 065**

14. Payables from exchange transactions

ESKOM Holdings SOC LTD - deferred bulk account arrangement	-	8 776 496

15. Consumer deposits

Electricity	119 489	112 578
Water	80 032	78 936
	199 521	**191 514**

16. Employee benefit obligations

Defined benefit plan

The plan is a post employment medical benefit plan.

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

16. Employee benefit obligations (continued)

The amounts recognised in the statement of financial position are as follows:

	2020	2019
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(2 867 000)	(3 452 000)
Present value of the defined benefit obligation-partly or wholly funded	(1 950 000)	(1 947 000)
	(4 817 000)	**(5 399 000)**
Non-current liabilities	(4 384 000)	(4 604 000)
Current liabilities	(433 000)	(795 000)
	(4 817 000)	**(5 399 000)**

Post retirement benefits

	2020	2019
Post Retirement Medical Aid Benefit		
Balance 1 July	(3 452 000)	(3 520 000)
Interest cost	(275 000)	(301 000)
Expenditure for the year	320 436	338 852
Actuarial Gain	539 564	30 148
Total post retirement benefit - 30 June	(2 867 000)	(3 452 000)
Less: Transfer to current portion	340 000	355 000
	(2 527 000)	**(3 097 000)**

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

	2020	2019
Members		
Continuation members (e.g. retirees, widows, orphans)	6	8

The liability in respect of past service has been estimated to be as follows:

	2020	2019
Liability		
Continuation memebers (e.g. retirees, widows, opharns)	(2 867 000)	(3 452 000)

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

- LA Health
- Keyhealth
- Bonitas

Key actuarial assumptions used:

	2020	2019
Assumptions		
Discount rate	8,33%	8,40%
Health Care Cost Inflation Rate	4,74%	6,09%
Net Effective Discount Rate	3,43%	2,18%

Discount Rate:
GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term consistent with the estimated term of the post-employment liabilities. However where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate terms should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

16. Employee benefit obligations (continued)

Consequently, a discount rate of 8.33% per annum has been used. The corresponding index-linked yield at this term is 4.45%. These rates do not reflect any adjustments for taxation. These rates were deducted from the interest rate data obtained from the Johannesburg Stock Exchange after the market closed on 30 June 2020.

Yields were determined by looking at the duration of the liability and finding the fixed-interest and index-linked yields at the relevant duration using an iterative process (because the yields depend on the liability which in turn depends on the yields).

Health Care Cost Inflation Rate:
This assumption is required to reflect estimated future changes in the cost of medical services resulting from both inflation and specific changes in medical cost (for example, due to technological advances or changes in utilisation patterns). Any assumption regarding future medical scheme contribution increases is therefore subjective.

A health care cost inflation rate of 4.74% has been assumed. This is 1.50% in excess of expected CPI inflation over the expected term of the liability, namely 3.24%. A larger differential would be unsustainable,eventually forcing members to less expensive options. This implies a net discount rate of 3.43% which derives from ((1+8.33%)/(1+4.74%)) -1.

The next contribution increase was assumed to occur with effect from 1 January 2021.

Post-Employment Mortality:
PA(90) utlimate table, adjusted down by one year of age, and a 1% annual compound mortality improvement from 2010. This means that we expect 1% fewer people to die next year. In the year thereafter, we expect 1.99% fewer people to die, i.e 1.99% is derived from [1 - (1 - 1%)^2],], and so on.

Family Profile:
It has been assumed that female spouses will be five years younger than their male counterparts. Actual medical aid dependants were used and the potential for remarriage was ignored.

Impact of COVID-19:
It is difficult to estimate what impact the pandemic is likely to have on the Municipality`s liability at this early stage. There is much uncertainty as to how it will affect mortality, and whether (And where) a treatment or vaccine will become available. Medical scheme contributions are also likely to increase by more than expected.

Sensitivity Analysis on the Accrued Liability.

Assumption	Change	Change in interest cost
Central assumptions		275 000
Health care inflation	+1%	299 000
Health care inflation	-1%	255 000
Discount rate	+1%	286 000
Discount rate	-1%	263 000
Post-employment mortality	-1yr	288 000

Assumption	Change	Change in Interest Cost
Central assumptions		301 000
Health care inflation	+1%	327 000
Health care inflation	-1%	278 000
Discount rate	+1%	310 000
Discount rate	-1%	291 000
Post employment mortality	-1yr	316 000

Sensitivity Analysis on Current-service and Interest Costs for year ending 30/06/2019

Long service award

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

16. Employee benefit obligations (continued)

Long service award		
Balance 1 July	(1 947 000)	(1 507 000)
Contribution for the year	(237 000)	(164 000)
Interest cost	(201 000)	(151 000)
Expenditure for the year	104 351	32 009
Actuarial gain / (loss)	330 649	(157 009)
Subtotal	(1 950 000)	(1 947 000)
Less: Transfer to current portion	93 000	438 000
Balance 30 June	**(1 857 000)**	**(1 509 000)**

The Long Service Award is a defined benefit plan, of which the members are made up as follows:

Total eligible		
As at year end, the following number of employees were eligible for long service bonuses	147	166

Key actuarial assumptions used:

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

16. Employee benefit obligations (continued)

Discount rate	7,66%	8,04%
General earnings inflation rate (long-term)	4,16%	5,97%
Net discount rate	3,36%	1,95%
Average retirement age	62	60

GRAP 25 stipulates that the choice of this rate should be derived from goverment bond yields consistent with the estimated term of the employee benefit liabilities. However where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating, current market rates along the yield curve.

Consequently, a discount rate of 7.66% per annum has been used. The first step in the derivation of this yield is to calculate the liability-weighted average of the yields corresponding to the actual terms until payment of long servce awards, for each employee. The 7.66% is then derived as the liability - weighted average of the yields derived in the first step. The corresponding liability-weighted index-linked yield is 3.88%. These rates do not reflect any adjustment for taxation, and were deducted from the interest rate data obtained from the JSE after the market closed on 30 June 2020.

The liability-weighted average term of the total liability is 7.39 years.

Earnings Inflation Rate
This assumption is required to reflect the estimated growth in earnings of the eligible employees until retirement. It is important in the LSA are based on an employee`s earnings at the date of the award:

General Earnings Inflation
This assumption is more stable relative to the growth in Consumer Price Index (CPI) than in absolute terms. In most industries, experience has shown, that over the long-term, earnings inflation is between 1.0% and 1.5% above CPI inflation.

The expected inflation assumption of 3.16% was obtained from the differential between market yields on index-linked bonds (3.88%) consistent with the estimated terms of the liabilities and those of nominal bonds (7.66%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.05%). Therefore, expected inflation is determined as ((1+7.66%-0.50%)/(1+3.88%))-1.

Thus a general earnings inflation rate of 4.16% per annum over the expected term of the liability has been assumed, which is 1.00% higher than the estimate of CPI inflation over the same term. This assumption reflects a net discount rate of 3.36%.

It has been assumed that the next general earnings increase will take place on 1 July 2021:

Promotional Earnings Scale
The annual inflation rates below are in addition to the General Earnings Inflation assumption of 4.16% per annum for all employees.

Average Retirement Age
The normal retirement age of employees is 65. It has been assumed that employees will retire at age 62 on average, which then implicitly allows for expected rates of ill-health and early retirement.

Pre-Retirement Mortality
SA85-90 ultimate table, adjusted down for female lives.

Withdrawal from Service
If an employee leaves, the employer`s liability in respect of that employee ceases. It is therefore important not to overstate withdrawal rates.

16. Employee benefit obligations (continued)

Assumption	Change	Liability
General earnings inflation rate	+1%	2 086 000
General earnings inflation rate	-1%	1 827 000
Discount rate	+1%	1 823 000
Discount rate	-1%	2 092 000
Average retirement age	+2yrs	2 057 000
Average retirement age	-2yrs	1 772 000
Withdrawal rate	+20%	1 490 000
Withdrawal rate	-20%	2 271 000
		-

Sensitivity Analysis on Current-service and Interest Costs for year ending 30/06/2020

Assumption	Change	Current service cost	Interest cost
		-	-
General earnings inflation rate	+1%	255 000	214 000
General earnings inflation rate	-1%	220 000	189 000
Withdrawal rates	x120%	217 000	189 000
Withdrawal rates	x80%	259 000	214 000
		951 000	**806 000**

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant	2 290 084	-
Library Grant	1 929 450	1 929 450
Project - 36 Erfs Loxton	305 093	305 093
Road paving Loxton	11 203	-
Intergrated National Electrification Programme Grant	1 248	1 248
Project - Cemetry	88 739	88 739
COGSTHA Incentive Grant	460 835	460 835
Finance Management Grant	(1)	(1)
Project - Housing	115 555	115 555
Project - EIA Solid Waste Victoria West	99 012	99 012
Project - River Richmond	1 827	1 827
Water Services Infrastructure Grant	17 236	-
	(5 320 281)	**(3 001 758)**

See Appendix "F" for a reconciliation of grants from other spheres of government. The unspent grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants and received to the extent of the revenue recognised. No unspent conditional grants from previous financial years were withheld during the 2020 financial year.

Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.

See note 23 for reconciliation of grants from National/Provincial Government.

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

18. Provisions

Reconciliation of provisions - 2020

	Opening Balance	Additions	Change in discount factor	Total
Environmental rehabilitation	32 911 302	(9 859 443)	4 242 201	27 294 060
Accrued leave	2 437 880	246 328	-	2 684 208
Accrued bonus	639 172	3 420	-	642 592
	35 988 354	**(9 609 695)**	**4 242 201**	**30 620 860**

Reconciliation of provisions - 2019

	Opening Balance	Additions	Change in discount factor	Total
Environmental rehabilitation	4 730 240	23 123 231	5 057 831	32 911 302
Accrued leave	2 402 936	34 944	-	2 437 880
Accrued bonus	625 982	13 190	-	639 172
	7 759 158	**23 171 365**	**5 057 831**	**35 988 354**

	2020	2019
Non-current liabilities	27 294 060	32 911 302
Current liabilities	3 326 800	3 077 052
	30 620 860	**35 988 354**

Provision for environmental rehabilitation:

The municipality has an obligation to rehabilitate landfill sites at the end of the expected useful life of the asset. The estimated total rehabilitation cost at the current inflation rate and estimated date of decommission of the sites have been determined at year end.

Provision for accrued leave pay:

The municipality has an obligation to compensate employees for absences (paid annual leave) within twelve months after the end of the reporting period in which the employees render the related employee service.

Provision for accrued bonus pay:

The municipality has an obligation to compensate employees for incentives in the form of bonuses within twelve months after the end of the reporting period in which the employees render the related employee service.

19. Service charges

	2020	2019
Sale of electricity	14 021 639	13 750 644
Sale of water	11 533 740	9 899 243
Sewerage and sanitation charges	5 123 537	3 771 540
Refuse removal	5 335 824	3 746 471
Less: Departmental charges	(1 947 071)	(1 044 824)
Less: Indigents subsidies	(4 552 264)	(5 508 423)
	29 515 405	**24 614 651**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

20. Rental of facilities and equipment

Premises	178 091	91 704
Venue hire	11 511	18 792
Other	109 807	29 330
	299 409	**139 826**

21. Investment revenue

Interest revenue		
Interest on call accounts	450 179	436 273

22. Property rates

Rates received

Residential	4 308 954	3 968 040
Commercial	2 681 492	2 661 717
State	21 369 452	1 609 507
Small holdings and farms	2 753 509	1 982 514
Less: Income forgone	(9 902 437)	(961 422)
	21 210 970	**9 260 356**

Valuations

Residential	347 372 000	249 898 400
Commercial	120 845 000	76 144 400
State	81 803 000	54 076 000
Municipal	57 582 000	13 936 700
Farms	4 221 759 000	2 765 022 050
Public service infrastructure	9 742 000	12 472 900
Public benefit organisations	37 089 000	3 237 600
	4 876 192 000	**3 174 788 050**

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2019. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate per valuation category as specified in the annual municipal published tariff list is applied to property valuations to determine assessment rates. Rebates on the rateble value of R 15 000 (2019: R 15 000) are granted to residential and state property owners.

Rates are levied on an annual basis. Interest at prime plus 1% per annum is levied on rates outstanding two months after due date.

The new general valuation will be implemented on 01 July 2024.

23. Government grants and subsidies

Operating grants		
Equitable share	34 602 000	31 165 000
Finance Management Grant	2 435 000	1 970 000
Library Grant	660 000	660 000
Expanded Public Works Programme Grant	988 797	1 000 000
COGTA incentive grant	-	5 000 000
COVID-19	66 000	-

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

23. Government grants and subsidies (continued)

	38 751 797	**39 795 000**

Capital grants		
Municipal Infrastructure Grant	7 679 916	262 410
INEP	5 005 000	4 000 000
Water System Infrastructure Grant	5 182 764	4 847 363
	17 867 680	**9 109 773**
	56 619 477	**48 904 773**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	22 017 477	17 739 773
Unconditional grants received	34 602 000	31 165 000
	56 619 477	**48 904 773**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. The allocated equitable share for the year was R34 602 000 (2019: R 31 165 000).

Municipal Infrastructure Grant - MIG

Balance unspent at beginning of year	-	262 410
Current-year receipts	9 970 000	-
Conditions met - transferred to revenue	(7 679 916)	(262 410)
	2 290 084	**-**

Conditions still to be met - remain liabilities (see note 17).

Library grant

Balance unspent at beginning of year	1 929 450	1 929 450
Current-year receipts	660 000	660 000
Conditions met - transferred to revenue	(660 000)	(660 000)
	1 929 450	**1 929 450**

Conditions still to be met - remain liabilities (see note 17).

Project - 36 Erfs Loxton

Balance unspent at beginning of year	305 093	305 093

Conditions still to be met - remain liabilities (see note 17).

Covid 19 Project

Current-year receipts	66 000	-
Conditions met - transferred to revenue	(66 000)	-
	-	**-**

Conditions still to be met - remain liabilities (see note 17).

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

23. Government grants and subsidies (continued)

Expanded Public Works Programme - EPWP

Current-year receipts	1 000 000	1 000 000
Conditions met - transferred to revenue	(988 797)	(1 000 000)
	11 203	**-**

Integrated National Electrificiation Programme - INEP

Balance unspent at beginning of year	1 248	1 248
Current-year receipts	5 005 000	4 000 000
Conditions met - transferred to revenue	(5 005 000)	(4 000 000)
	1 248	**1 248**

Conditions still to be met - remain liabilities (see note 17).

Project - Cemetry

Balance unspent at beginning of year	88 739	88 739

Conditions still to be met - remain liabilities (see note 17).

COGSTHA Incentive Grant

Balance unspent at beginning of year	460 835	460 835
Current-year receipts	-	5 000 000
Conditions met - transferred to revenue	-	(5 000 000)
	460 835	**460 835**

Conditions still to be met - remain liabilities (see note 17).

Financial Management Grant - FMG

Balance unspent at beginning of year	(1)	-
Current-year receipts	2 435 000	1 969 999
Conditions met - transferred to revenue	(2 435 000)	(1 970 000)
	(1)	**(1)**

Conditions still to be met - remain liabilities (see note 17).

Project Housing

Balance unspent at beginning of year	115 555	115 555

Conditions still to be met - remain liabilities (see note 17).

Project Solid Waste

Balance unspent at beginning of year	99 012	99 012

Conditions still to be met - remain liabilities (see note 17).

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

23. Government grants and subsidies (continued)

Project River Richmond

Balance unspent at beginning of year	1 827	1 827

Conditions still to be met - remain liabilities (see note 17).

Water Service Infrastructure Grant

Balance unspent at beginning of year	-	847 363
Current-year receipts	5 200 000	4 000 000
Conditions met - transferred to revenue	(5 182 764)	(4 847 363)
	17 236	**-**

Conditions still to be met - remain liabilities (see note 17).

24. Public contributions and donations

Public contributions	24 815	-
Grants in aid - Northern Cape Provincial Treasury	1 820 550	1 451 534
	1 845 365	**1 451 534**

Conditions still to be met - remain liabilities (see note 17)

25. Fines, Penalties and Forfeits

Library fines	112	594
Speed fines	9 884 150	11 532 318
	9 884 262	**11 532 912**

26. Revenue

Service charges	29 515 405	24 614 651
Rental of facilities and equipment	299 409	139 826
Interest received (trading)	8 463 467	9 053 016
Licences and permits	378 969	532 896
Sundry income	182 356	396 132
Interest received - investment	450 179	436 273
Property rates	21 210 970	9 260 356
Government grants & subsidies	56 619 477	48 904 773
Public contributions and donations	1 845 365	1 451 534
Fines, Penalties and Forfeits	9 884 262	11 532 912
Rehbilitation of Landfill site change in estimate	9 859 442	-
	138 709 301	**106 322 369**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	29 515 405	24 614 651
Rental of facilities and equipment	299 409	139 826
Interest received (trading)	8 463 467	9 053 016
Licences and permits	378 969	532 896
Other income	182 356	396 132
Interest received - investment	450 179	436 273
	39 289 785	**35 172 794**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

26. Revenue (continued)

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Property rates	21 210 970	9 260 356
Transfer revenue		
Government grants & subsidies	56 619 477	48 904 773
Public contributions and donations	1 845 365	1 451 534
Fines, Penalties and Forfeits	9 884 262	11 532 912
Other transfer revenue 1	9 859 442	-
	99 419 516	**71 149 575**

27. Employee related costs

Basic	26 049 081	25 661 324
Medical aid - company contributions	251 624	221 508
UIF	438 327	228 166
SDL	310 017	243 951
Other payroll levies	18 045	17 140
Leave pay provision charge	166 136	100 307
Post retirement benefit	5 205	460 050
Pension fund contributions	4 467 900	4 115 950
Overtime payments	1 596 508	1 111 760
Long-service awards	237 000	151 000
13th Cheques	2 174 999	1 351 415
Car allowance	354 850	197 173
Housing benefits and allowances	297 798	363 305
Telephone allowance	9 482	6 100
Standby allowance	421 079	202 180
	36 798 051	**34 431 329**

Remuneration of the Municipal Manager - Mr T Makhoba (4 January 2017 - 27 February 2018))

Contributions to UIF, Medical and Pension Funds	-	9 039
Settlement award	-	1 355 809
	-	**1 364 848**

Mr Makhoba was terminated by way of a Council Resolution on the 27th of February 2018. A settlement agreement was reached and made an order of the Court on the 8th of February 2019.

Remuneration of the Acting Municipal Manager - Mr D Maposa (25 May 2018 - Current)

Acting Allowance	472 752	481 610
Remote Allowance	42 574	30 963
Contributions to UIF, Medical and Pension Funds	5 692	5 283
	521 018	**517 856**

Remuneration of the Chief Financial Officer - Mr RA Jacobs

Annual Remuneration	678 290	644 209
Car Allowance	60 000	60 000
Remote Allowance	82 306	79 756
Contributions to UIF, Medical and Pension Funds	110 233	115 293
Other	7 543	9 408
	938 372	**908 666**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

27. Employee related costs (continued)

Remuneration of the Deputy Director of Corporate Services - Mr XG Malgas (resigned 31 October 2018)

Annual Remuneration	-	199 403
Car Allowance	-	61 435
Contributions to UIF, Medical and Pension Funds	-	43 009
Other	-	1 930
	-	**305 777**

Remuneration of the Acting Director of Corporate Services - NM Mkontwana (1 July 2018 - 30 November 2018)

Annual Remuneration	597 173	185 414
Acting Allowance	-	46 431
Remote Allowances	55 259	-
Travel Allowances	40 000	23 923
Contributions to UIF, Medical and Pension Funds	128 096	40 938
Other	6 632	-
	827 160	**296 706**

Remuneration of the Director of Technical Services - ZV Seloane (1 December 2018)

Annual Remuneration	320 980	370 860
Car Allowance	30 000	35 000
Remote Allowance	40 571	47 333
Contributions to UIF, Medical and Pension Funds	58 595	63 346
Other	22 072	4 150
	472 218	**520 689**

Remuneration of the Senior Manager Corporate Services - Theodore Phillips (Acring since 1 MArc 2020 - 30 June 2020)

Annual Remuneration	384 388	-
Car Allowance	26 676	-
Travel allowance	34 000	-
Contributions to UIF, Medical and Pension Funds	65 364	-
Other	4 177	-
	514 605	**-**

28. Remuneration of councillors

Councillors	2 998 066	2 766 042

Councillors' remuneration consist of the following:

Remuneration of the Mayor - AL Kweleta (1 September 2017 - 30 June 2019)

Mayoral allowance	-	69 468
Transport allowance	-	25 543
Telephone allowance	-	6 087
Contributions to pension, medical and SDL	-	12 147
	-	**113 245**

Remuneration of the Mayor - JZ Lolwana (1 October 2018 - Current)

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

28. Remuneration of councillors (continued)

Mayoral allowance	611 261	449 507
Transport allowance	194 805	142 219
Telephone allowance	44 400	33 300
Contributions to pension, medical and SDL	8 115	5 966
	858 581	**630 992**

Remuneration of other councillors

Councillor allowance	1 369 396	1 183 415
Transport allowance	439 762	423 416
Telephone allowance	266 400	266 400
Contributions to pension, medical and SDL	16 720	148 574
	2 092 278	**2 021 805**

29. Depreciation and amortisation

Property, plant and equipment	23 935 541	30 342 089
Intangible assets	8 131	10 990
	23 943 672	**30 353 079**

30. Finance costs

Trade and other payables	7 891 926	6 495 529
Finance leases	65 622	91 361
Other interest incurred	4 718 201	5 074 831
	12 675 749	**11 661 721**

31. Bulk purchases

Electricity - Eskom	18 721 297	17 156 684
Water	943 552	1 094 101
	19 664 849	**18 250 785**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

32. General expenses

Advertising	141 227	90 628
Auditors remuneration	3 631 940	1 845 318
Bank charges	324 271	398 608
Commission traffic fine enforcement collections	1 982 605	767 285
Consulting and professional fees	8 108 433	6 174 329
Department of Transport	1 707 099	-
Entertainment	-	79 994
Fines and penalties	20 739	-
Hire	7 200	102 130
Insurance	602 399	496 266
Fleet	1 351 917	-
Motor vehicle expenses	-	478 044
Fuel and oil	965 847	677 467
Printing and stationery	331 237	152 196
Protective clothing	182 917	-
Inventory, spares and materials consumed	1 682 321	1 002 833
Research and development costs	125 417	144 309
Royalties and license fees	46 531	43 450
Subscriptions and membership fees	507 705	524 826
Telephone and fax	257 237	323 684
Training	2 027	232 453
Travel - local	844 515	905 055
Wages job creation	-	2 707 245
Materials job creation	-	1 832 265
Audit committee remuneration	132 096	524 375
Other expenses	1 187 046	657 800
Rental paid	780 628	54 989
Paraffin subsidy	296 840	182 658
	25 220 194	**20 398 207**

33. Net cash flows from operating activities

Deficit	(7 716 711)	(53 696 919)
Adjustments for:		
Depreciation and amortisation	23 943 672	30 353 079
Gain (loss) on sale of assets and liabilities	250 581	(471 033)
Fair value adjustments	(388 327)	(651 296)
Impairment deficit	26 133 390	20 030 363
Movements in retirement benefit assets and liabilities	(582 000)	371 000
Movements in provisions	(5 367 494)	28 229 196
Changes in working capital:		
Inventories	30 806	(101 003)
Other receivables from exchange transactions	1 011 842	(857 153)
Consumer debtors	(6 695 757)	(21 857 078)
Other receivables from non-exchange transactions	(33 253 794)	(3 366 599)
Payables from exchange transactions	24 373 388	7 309 083
VAT	(4 961 893)	1 622 136
Unspent conditional grants and receipts	2 318 523	(1 109 774)
Consumer deposits	8 007	2 964
	19 104 233	**5 806 966**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

34. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	4 485 761	5 860 497
Total capital commitments		
Already contracted for but not provided for	4 485 761	5 860 497

This committed expenditure relates to property, plant and equipment and will be financed by government grants.

35. Contingencies

2020:

A claim was lodged against the municipality by Mr DS Nkili, due to a dispute utilizing materials without consent. If successful, the municipality will be liable for an amount of R152 888 plus interest.

A claim was lodged against the municipality by Mr. N Oerson to seek a recourse for what he deems as unfair practice which lead to him not being appointed as the Chief Traffic Officer for Ubuntu Local Municipality The financial impact of the claim is currently unknown.

The municipality does not have a permit or licence for any of the landfill sites currently in use and could be liable for a maximum penalty of R5 000 000 in terms of Section 29(4) of the Environment Conservation Act No.73 of 1989.

2019:

The municipality does not have a permit or licence for any of the landfill sites currently in use and could be liable for a maximum penalty of R5 000 000 in terms of Section 29(4) of the Environment Conservation Act No.73 of 1989.

Notes to the Annual Financial Statements

36. Related parties

Relationships

Interest in related parties	Councillors and / or management of the municipality have relationships with business
Services rendered to related parties	The services rendered to Related Parties are charged at approved tariffs that were advertised to the public. Refer to note 46 where we have disclosed this information under the heading Councillors arrear consumer accounts.
Compensation of related parties	Compensation of Councillors is set out in note
Compensation of related parties	Compensation of key management personnel is set out in note
Loans granted to Related Parties	In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004.
Related party relationships	The municipalities key officials declared the following relationships with the listed companies. It should be noted that no transactions were entered into between these related parties and the municipality.
JL Lolwana	No business interest, shares and / or directorships held.
PE Jantjies	Directorship - National Delight Closed Corporation, Ubuntu Agency.
W Schutz	Owner Victoria Wes Gastehuis.
CC Jantjies	No business interest, shares and / or directorships held.
CJ Pietersen	No shares and / or directorships held.
KJ Arens	Owner Arens Drankwinkel.
JH Vorster	No business interest, shares and / or directorships held.
Acting Municipal Manager	Owner Small Formal Holding.
Chief Financial Officer	Shares and Directorship - Chrisperitos (Pty) Ltd, Umthwalo Accounting (Pty) Ltd.
Acting Director Corporate Services	No business interest, shares and / or directorships held.
Director Technical Services	No business interest, shares and / or directorships held.

Related party balances

	2020	2019
Provision for doubtful debts related to outstanding balances with related parties		
JL Lolwana	151 110	121 071
KJ Arens	8 725	5 092
JH Vorster	-	56 708
PE Jantjies	33 756	18 951
W Schuts	7 388	-

Notes to the Annual Financial Statements

Figures in Rand

36. Related parties (continued)

Remuneration of management

Executive management

2020

Name	Acting Allowances	Annual Remuneration	Car Allowances	Contributions to UIF, Medical and Pension Funds	Other Allowances	Remote Allowances	Total
Senior Management	499 428	1 980 831	164 000	367 980	40 425	220 710	3 273 374

2019

Name	Acting Allowances	Annual Remuneration	Car Allowances	Contributions to UIF, Medical and Pension Funds	Other Allowances	Remote Allowances	Settlement Awards	Total
Senior Management	528 041	1 200 483	118 923	233 899	13 558	158 052	1 355 809	3 608 765

37. Prior period errors

The municipality corrected the following prior period errors retrospectively and restated comparative amounts in terms of GRAP 3 - Accounting policies, Changes in Estimates and Errors.

The correction of errors is as follows.

Based on the limitation of the prior year a re-assessment and recalculation of the Landfill site Restoration cost.

Notes to the Annual Financial Statements

37. Prior period errors (continued)

Based on the limitation of the prior year a re-assessment and recalculation of the Employee benefit oligation. The provison is currected by only providing for the continued members.

Reclassification of Land to Investment Property
Removing printers from the FAR not in use by the municipality
Reversal of derecognition, item with barcode 9153 treated as a loss in 2019 as not verified, verified in 2020.
Reversal of Accumulated Impairment, Motor vehicles were impaired beyound their Residual values in 2019
Ommisions included in the Fixed asset register
Funeral home and golf course reclassified to Investment Property
Duplicates removed from the Fixed asset register.
Reversal of items incorrectly impaired in the previous financial period
National and Provincial roads were incorrectly included in the fixed asset register.
Decrease in depreciation as a result of Overrox project correction
Derecognitions as a result of Overrox project correction
Vehicles auctioned in the prior year not removed from the fixed asset register
Correction of deprecition on Overrox project incorrectly capitalised.
Removing of landfill site no longer in use by the municipality.
Correcting of the Fair value adjustment on Land transferred to Investment Property.

Correction of 2019 Trade payables opening balance which was never corrected on the system.

The effects of the reclassification are as follows:

Statement of financial position - extract

	Comparative figures previously reported	Prior period error	After reclassification
Property, plant and equipment	586 394 851	(40 633 686)	545 761 165
Investment property	29 637 896	17 406 947	47 044 843
Payables from exchange transactions	(74 460 061)	2 277 996	(72 182 065)
Employee benefit obligation (Current and Non-current)	(6 466 000)	1 067 000	(5 399 000)
Provisions	(5 140 591)	(27 770 711)	(32 911 302)
Opening accumulated surplus	567 943 826	21 634 937	589 578 763
Total	**1 097 909 921**	**(26 017 517)**	**1 071 892 404**

Statement of financial performance - extract

	Comparative figures previously reported	Reclassification	After reclassification
Employee related cost	(34 496 279)	64 950	(34 431 329)
Finance cost	(7 543 815)	(4 117 906)	(11 661 721)
Actuarial gains (Loss)	140 089	(266 950)	(126 861)
Rehabilitation of landfill site change in estimate	-	(23 123 230)	(23 123 230)
Depreciation and amortisation	(31 508 609)	1 155 530	(30 353 079)
Loss on derecognition of asset	500 802	(29 769)	471 033
Fair value adjustment	351 438	299 858	651 296
Total	**(72 556 374)**	**(26 017 517)**	**(98 573 891)**

38. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Consumer deposits	199 521	-	-	-
Employee benefit obligation	433 000	-	-	-
Payables from exchange transactions	105 331 896	-	-	-
Unspent conditional grants and receipts	5 320 281	-	-	-
	111 284 698	**-**	**-**	**-**

At 30 June 2019	Less than 1 year	Between 1 and 2 year	Between 2 and 5 years	Overs 5 years
Consumer deposits	191 514	-	-	-
Employee benefit obligation	795 000	-	-	-
Payables from exchange transactions	72 182 065	-	-	-
Uspent conditional grants	3 001 758	-	-	-
	76 170 337	**-**	**-**	**-**

Notes to the Annual Financial Statements

38. Risk management (continued)

Credit risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Receivables are disclosed net, after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to note 5 and 7 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note 5 and 7 for balances included in receivables that were re-negotiated for the period under review.

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

Price risk

The municipality is not exposed to price risk.

39. Financial instruments disclosure

Categories of financial instruments

2020

Financial assets

	At amortised cost	Total
Trade receivables from exchange transactions	13 350 587	13 350 587
Trade receivables from non-exchange transactions	20 594 312	20 594 312
Cash and cash equivalents	4 743 826	4 743 826
	38 688 725	**38 688 725**

Financial liabilities

	At amortised cost	Total
Consumer deposits	199 521	199 521
Trade and other payables from exchange transactions	105 331 896	105 331 896
Unspent conditional grants and receipts	5 320 281	5 320 281

Notes to the Annual Financial Statements

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. Financial instruments disclosure (continued)

	110 851 698	**110 851 698**

2019

Financial assets

	At amortised cost	Total
Trade receivables from exchange transactions	6 230 183	6 230 183
Trade receivables from non-exchange transactions	13 898 555	13 898 555
Cash and cash equivalents	1 859 695	1 859 695
	21 988 433	**21 988 433**

Financial liabilities

	At amortised cost	Total
Consumer deposits	191 514	191 514
Payables from exchange transactions	72 182 065	72 182 065
Unspent conditional grants and receipts	3 001 758	3 001 758
	75 375 337	**75 375 337**

40. Unauthorised expenditure

Opening balance as previously reported	349 100 400	319 365 944
Management is initiating an investigation in to the nature and completeness of the Unauthorised expenditure as disclosed and as required in the MFMA.	**349 100 400**	**319 365 944**
Add: Unauthorised expenditure - current year	8 423 673	29 734 456
Closing balance	**357 524 073**	**349 100 400**

Unauthorised expenditure: Budget overspending – per vote

Vote 1	-	29 734 456
Vote 4	8 423 673	-
	8 423 673	**29 734 456**

Disciplinary steps taken/criminal proceedings

Management is initiating an investigation in to the nature and completeness of Unauthorised expenditure as disclosed and as required in the MFMA.

41. Fruitless and wasteful expenditure

Opening balance as previously reported	25 139 950	17 596 135
Opening balance as restated	**25 139 950**	**17 596 135**
Add: Fruitless and Wasteful Expenditure - current period	7 908 919	7 543 815
Closing balance	**33 048 869**	**25 139 950**

41. Fruitless and wasteful expenditure (continued)

Expenditure identified in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings		
Interest on overdue accounts	Management is initiating an investigation in to the nature and completeness of the Fruitless and Wasteful expenditure as disclosed and as required in the MFMA.	7 464 534	7 543 815
Fines and penalties	Management is initiating an investigation in to the nature and completeness of the Fruitless and Wasteful expenditure as disclosed and as required in the MFMA.	444 385	-
		7 908 919	**7 543 815**

42. Irregular expenditure

Opening balance	62 060 405	55 867 507
Opening balance as restated	**62 060 405**	**55 867 507**
Add: Irregular Expenditure - current year	4 737 585	6 192 898
Closing balance	**66 797 990**	**62 060 405**

Incidents/cases identified in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings		
Procurement in contravention of Supply chain management policy - no quotations obtained	Management is initiating an investigation in to be nature, accuracy and completeness of the irregular expenditure as disclosed and as required in the MFMA	166 375	1 458 463
Procurement in contravention of Supply chain management policy - less than 3 quotations obtained	Management is initiating an investigation in to be nature, accuracy and completeness of the irregular expenditure as disclosed and as required in the MFMA	15 680	1 435 003
Procurement in contravention of Section 32 of the Municipal Supply Chain Regulations	Management is initiating an investigation in to be nature, accuracy and completeness of the irregular expenditure as disclosed and as required in the MFMA	4 555 529	3 299 432
		4 737 584	**6 192 898**

43. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	2 538 497	2 028 292
Current year subscription / fee	507 705	512 205
Amount paid - current year	-	(2 000)
	3 046 202	**2 538 497**

Distribution losses

Electricity distribution losses		
kWh purchased	12 993 338	13 467 539
Less: kWh sold	(7 982 973)	(9 282 386)
kWh Losses	**5 010 365**	**4 185 153**
% losses	38,56%	31,08%
Average cost per unit	1,476	1,304
Loss on Rand value	7 395 299	5 459 216

Water distribution losses (Kilo litres)		
Kilo litres purchased	1 046 392	1 475 916
Less: Kilo litres sold	(798 220)	(1 032 198)
	248 172	**443 718**
% losses	23,72%	30,06%
Average cost per kilo litre	1,002	0,93
Loss in Rand value	248 668	413 101

Audit fees

Opening balance	3 083 499	3 514 667
Current year subscription / fee	4 790 824	1 955 532
Amount paid - current year	(300 000)	-
Amount paid - previous years	-	(935 166)
National Treasury assistance	(1 820 549)	(1 451 534)
	5 753 774	**3 083 499**

Notes to the Annual Financial Statements

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43. Additional disclosure in terms of Municipal Finance Management Act (continued)

PAYE, UIF and SDL

Opening balance	2 339 893	2 766 910
Current year subscription / fee	5 259 504	4 258 874
Amount paid - current year	(7 177 442)	-
Amount paid - previous years	-	(4 685 891)
	421 955	**2 339 893**

Pension and Medical Aid Deductions

Opening balance	2 108 539	2 203 071
Current year subscription / fee	7 137 692	6 683 802
Amount paid - current year	(2 860 663)	-
Amount paid - previous years	-	(6 778 334)
	6 385 568	**2 108 539**

VAT

VAT receivable	6 766 534	1 804 641

VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2020:

30 June 2020	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Mayor JZ Lolwana	5 630	145 479	151 109
Councillor PE Jantjies	3 466	30 290	33 756
Councillor W Schultz	20 374	840	21 214
Councillor KJ Arens	1 892	7 113	9 005
Councillor B De Bruyn	7 220	83 822	91 042
	38 582	**267 544**	**306 126**

30 June 2019	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor JZ Lolwana	8 346	118 319	126 665
Councillor PE Jantjies	5 031	13 920	18 951
Councillor JH Vorster	2 589	54 119	56 708
Councillor CC Janjies	720	944	1 664
Councillor W Schultz	9 574	6 276	15 850
Councillor KJ Arens	4 452	37 756	42 208
	30 712	**231 334**	**262 046**

Notes to the Annual Financial Statements

44. Going concern

We draw attention to the fact that at 30 June 2020, the municipality incurred a deficit of R 7 716 711 (2019: deficit R 53 696 919) for the financial year.

We further draw attention to the fact that at 30 June 2020 a material uncertainity exists regarding the ability of the municipality to continue as a going concern. These factors are listed below:

1) The provisions for rehabilitation of landfill sites and employee benefit provisions are not cash backed.

2) The municipality experienced cash flow problems during the year, which resulted in major creditors not being paid timeously.

3) The municipalitiy's current liabilities exceeds it's current assets by R 68 367 624 (2019: R 53 591 770) which indicates a current ratio which is below the required norm of 1.5 - 2.

4) The municipality incurred a net deficit for the year under review of the major contributors to this change is increases in bulk purchase, general expenses and finance costs.

Even though the above uncertainties exist regarding the municipality's ability to continue as a going concern, the annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities,contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependant on a number of factors. The most significant of these is that the Accounting Officer continues to procure funding for the ongoing operations of the municipality.

Furthermore the municipality has embarked on implementing strategies which will strengthen its ability to continue as a going concern. The most significant of these is that the municipality is currently implementing a system to enhance revenue collection and cash flow by improving on the debt recoverability.

The municipality still has the ability to levy rates and taxes and will continue to receive funding from government as evident from the Equitable Share allocation in terms of the Division of Revenue Act.

In assessing whether the going concern assumption is appropriate under the current economic climate resulting from the COVID-19 pandemic, managment considered a wide range of factors including the current and expected performance of the municipality, any announced and potential restructuring of organisational units, the likelihood of continued government funding and if neccessary potential sources of replacement funding.

45. Events after the reporting date

Within the municipal space the effects of the COVID-19 outbreak are likely to be a current-period events which will require ongoing evaluation to determine the extent to which developments, after the reporting date should be recognized in the reporting period.

46. Impact of COVID-19 and Financial Sustainability

The Municipality is in no way immune to the harsh economic realities as a result of the COVID-19 pandemic. As far possible, the Municipality factored in the effect of the lockdown levels had on its economic enviroment. At this stage, the uncertainty still remains as to how long the pandemic will remain and how long the economy will take to recover from the lockdown levels.

Notes to the Annual Financial Statements

Figures in Rand

47. Deviation Section 36(2) Supply Chain Management Regulations

In terms of Section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved by the Accounting Officer and noted by Council.

Paragraph 12(1)(d)(i) of Government Gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

For the period under review there were instances where goods and services were procured via a deviation from the normal Supply Chain Management Regulations.

The reasons for these deviations were documented and reported to the Accounting Officer, who considered them and subsequently approved the deviation from the normal Supply Chain Management Regulations.

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Reason for deviation:	Number of deviations 2020	Rand value 2020	Number of deviations 2019	Rand value 2019
Sole supplier	4	134 794	16	516 908
Emergency	28	8 407 070	7	143 116
Other	5	81 582	5	1 771 003
	37	**8 623 446**	**28**	**2 431 027**

48. Budget differences

Material differences between budget and actual amounts

All variances greater than 10% will be explained on the final Annual Financial Statements for the year ended 30 June 2020.

Service charges:
Decline in economic activities due to COVID-19.

Rental of facilities:
Lease agreements lapsed and in the process of signing new leases.

Interest received (trading):
Decrease in payments of accounts due to COVID-19.

Agency:
Lockdown of the traffic department.

Other income:
Less demand for other services.

Interest received (investments):
Increase in grants and MIG cash back reserve.

Property rates:
Immaterial variance.

Grants and subsidies:
Unspent MIG rollover is approved.

Fines:.
Contract ended with TVS due to poor performance and preventing futher losses.

Personnel:
Reduction in ineffeciencies.

Notes to the Annual Financial Statements

Figures in Rand

48. Budget differences (continued)

Remmuneration of councillors:
Increase in government gazette.

Depreciation:
Experts calculation was materially less than what was budgeted for.

Finance cost:
Landfill site provision could not be determined when copiling the budget.

Debt impairment:.
Less debtors was impaired as anticipated.

Contracted services:
Cash flow problems prevented the procurement of repairs and maintenance.

Bulk purchases:
Immaterial variance.

General expenses:
Bulk of expenditure relates to expert calculations.

Appendix A

Schedule of external loans as at 30 June 2018

	Loan Number	Redeemable	Balance at Sunday, 30 June 2019 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at Tuesday, 30 June 2020 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
Development Bank of South Africa								
Annuity loans			556 103	-	-	556 103	-	-
			556 103	**-**	**-**	**556 103**	**-**	**-**
Bonds								
Total external loans			**556 103**	**-**	**-**	**556 103**	**-**	**-**

Appendix B

Analysis of property, plant and e
Cost/Revaluation

		Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carryin value Rand
	Agricultural/Biological assets									
1.1.1301.0000.(	Agricultural	-	-	-	-	-	-	-	-	
1.1.1302.0000.(	Biological assets	-	-	-	-	-	-	-	-	
		-	-	-	-	-	-	-	-	
	Intangible assets									
1.1.1303.0000.(	Computers - software & programming	-	-	-	-	-	-	-	-	
1.1.1303.0000.(	Other	-	-	-	-	-	-	-	-	
		-	-	-	-	-	-	-	-	
	Investment properties									
1.1.1304.0000.(	Investment property	-	-	-	-	-	-	-	-	
		-	-	-	-	-	-	-	-	
	Total									
	Land and buildings	-	-	-	-	-	-	-	-	
	Infrastructure	-	-	-	-	-	-	-	-	
	Community Assets	-	-	-	-	-	-	-	-	
	Heritage assets	-	-	-	-	-	-	-	-	
	Specialised vehicles	-	-	-	-	-	-	-	-	
	Other assets	-	-	-	-	-	-	-	-	
	Agricultural/Biological assets	-	-	-	-	-	-	-	-	
	Intangible assets	-	-	-	-	-	-	-	-	
	Investment properties	-	-	-	-	-	-	-	-	
		-	-	-	-	-	-	-	-	

Analysis of property, plant and e
Cost/Revaluation

Agricultural/Biological assets
Intangible assets
Investment properties
Total

Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure				
		Dec	Mar	Jun	Sep	Jun	Dec	Mar	Jun	Sep	Dec
Equitable share	National Treasury	-	-	-	-	-	-	-	-	-	-
Municipal Infrastructure Grant	National Treasury	-	-	-	-	-	-	-	-	-	-
Financial Management Grant	National Treasury	-	-	-	-	-	-	-	-	-	-
Municipal Systems Improvment Grant	National Treasury	-	-	-	-	-	-	-	-	-	-
Extended Public Works Programme	National Treasury	-	-	-	-	-	-	-	-	-	-
Library Grant	National Treasury	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.

APPENDIX A - UNAUDITED
UBUNTU LOCAL MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2020

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2019	Correction of Error	Balance at 30 JUNE 2019 Restated	Received during the period	Redeemed written off during the period	Balance at 30 JUNE 2020
FINANCE LEASES									
Nashua	14.64%	N/a	30/11/2021	537 003.75	-	537 004	-	(199 578)	337 426
Total Finance Leases				**537 004**	**-**	**537 004**	**-**	**(199 578)**	**337 426**
TOTAL EXTERNAL LOANS				**537 004**	**-**	**537 004**	**-**	**(199 578)**	**337 426**

APPENDIX B - UNAUDITED
UBUNTU LOCAL MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2020

	Cost				Accumulated	Accumulated Depreciation and Impairment Losses					Carrying Value
	Opening Balance	**Additions**	**Disposals/ Transfers**	**Closing Balance**	**Impairment**	**Opening Balance**	**Depreciation Charge**	**Impairment**	**Disposals**	**Closing Balance**	
	R	**R**	**R**	**R**		**R**	**R**	**R**	**R**	**R**	**R**
Land	115 163 108	-	-	115 163 108	-	-	-	-42 334	-	-42 334	115 120 774
Buildings	54 219 524		-182 136	54 037 387	-320 468	-40 474 668	-1 522 693	-459 995	98 437	-42 679 386	11 358 001
Infrastructure	737 994 905	22 983 912	-7 381 917	753 596 900	-95 309	-354 213 566	-16 564 431	-688 792	193 246	-371 368 853	382 228 047
Electrical Infrastructure	56 806 067	-	-	56 806 067	-	-39 990 176	-1 081 329	-55 076	-	-41 126 581	15 679 486
Roads Infrastructure	184 761 110	-	-	184 761 110	-	-140 959 323	-2 845 550	-	-	-143 804 872	40 956 238
Sanitation Infrastructure	371 379 490	4 123 650	-91 916	375 411 224	-	-109 894 464	-9 623 590	-2 959	64 283	-119 456 730	255 954 494
Storm water Infrastructure	24 898 629	-	-	24 898 629	-	-14 697 303	-902 940	-	-	-15 600 244	9 298 385
Water Supply Infrastructure	97 193 087	3 323 150	-231 923	100 284 314	-95 309	-48 672 301	-2 111 022	-630 756	128 963	-51 380 425	48 903 889
WIP	2 956 522	15 537 113	-7 058 079	11 435 556	-	-				-	11 435 556
Community Assets	127 192 755	-	-120 465	127 072 290	-1 582 674	-95 713 784	-3 611 697	-113 068	102 026	-100 919 197	26 153 093
Community Facilities	90 771 842	-	-120 465	90 651 377	-808 948	-67 306 966	-2 786 685	-82 690	102 026	-70 883 263	19 768 114
Recreational Facilities	36 420 912	-	-	36 420 912	-773 726	-28 406 818	-825 012	-30 378	-	-30 035 934	6 384 979
Lease Assets	1 293 524	-	-	1 293 524	-	-177 195	-431 175	-	-	-608 370	685 154
Office Equipment	1 293 524	-	-	1 293 524	-	-177 195	-431 175	-	-	-608 370	685 154
Other Assets	8 272 769	91 279	-134 263	8 229 786	-231 054	-5 524 187	-483 963	-17 422	116 841	-6 139 785	2 090 000
Furniture and fittings	961 197	-	-17 483	943 714	-1 091	-727 230	-49 402	-49	14 482	-763 290	180 424
Computer equipment	1 186 342	14 863	-19 027	1 182 178	-390	-757 934	-100 403	-560	15 688	-843 599	338 579
Mechanical equipment	340 814	66 410	-7 546	399 678	-524	-254 615	-23 270	-	1 723	-276 687	122 991
Office machines	1 054 877	7 884	-39 545	1 023 216	-1 491	-493 665	-135 345	-5	38 229	-592 276	430 941
Electrical equipment	374 263	2 122	-32 011	344 374	-214	-338 692	-12 518	-28	29 965	-321 488	22 886
Vehicles	4 355 275	-	-18 650	4 336 625	-227 343	-2 952 051	-163 025	-16 780	16 754	-3 342 446	994 179
	1 044 136 583	**23 075 192**	**-7 818 781**	**1 059 392 994**	**-2 229 504**	**-496 103 401**	**-22 613 960**	**-1 321 610**	**510 550**	**-521 757 925**	**537 635 069**

APPENDIX F - UNAUDITED
UBUNTU LOCAL MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 1 JULY 2019	Grants Received	Forfeited to National Revenue Fund	Tranferred to Funds to be Surrendered	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 JUNE 2020	Unspent 30 JUNE 2020 (Creditor)	Unpaid 30 JUNE 2020 (Debtor)
National Government Grants									
Equitable Share	-	34 602 000	-	-	34 602 000	-	-	-	-
Local Government Financial Management Grant	-	2 435 000	-	-	2 435 000	-	-	-	-
Municipal Infrastructure Grant	-	9 970 000	-	-	-	7 679 916	2 290 084	2 290 084	-
COVID -19	-	66 000	-	-	66 000	-	-	-	-
Water Services Infrastructure Grants (WSIG)	-	5 200 000	-	-	-	5 182 764	17 236	17 236	
National Electrification Programme (INEP)	1 248	5 005 000	-	-	-	5 005 000	1 248	1 248	-
Expanded Public Works Program (EPWP)	-	1 000 000	-	-	988 797	-	11 203	11 203	-
Total National Government Grants	**1 248**	**58 278 000**	**-**	**-**	**38 091 797**	**17 867 680**	**2 319 771**	**2 319 771**	**-**
Provincial Government Grants									
Project Library	1 929 450	660 000	-	-	660 000	-	1 929 450	1 929 450	-
Department of Human Settlements (Services 36 Erven Loxton)	305 093	-	-	-	-	-	305 093	305 093	-
Project Housing	115 555	-	-	-	-	-	115 555	115 555	-
COGSTHA Incentive Grant	460 835	-	-	-	-	-	460 835	460 835	-
Total Provincial Government Grants	**2 810 933**	**660 000**	**-**	**-**	**660 000**	**-**	**2 810 933**	**2 810 933**	**-**
Other Grant Providers									
Project Cemetry	88 739	-	-	-	-	-	88 739	88 739	-
Project River Richmond	1 827	-	-	-	-	-	1 827	1 827	-
Solid Waste Site Victoria West	99 012	-	-	-	-	-	99 012	99 012	-
Total Other Grant Providers	**189 578**	**-**	**-**	**-**	**-**	**-**	**189 578**	**189 578**	**-**
Total	**3 001 758**	**58 938 000**	**-**	**-**	**38 751 797**	**17 867 680**	**5 320 281**	**5 320 281**	**-**